since the law limits the issuance of PWED bonds to not more than one billion pesos, unless an amendatory measure is passed. I, therefore, seek the cooperation of Congress in amending Republic Act No. 1000 to raise the legal limit so as not to impair our development program.

To avoid undue inflationary pressures from our public borrowing program, we propose to sell a greater portion of the bonds to the private sector at competitive money rates. The Central Bank, traditionally the foremost purchaser of government securities, will be relegated to a minor role as more non-inflationary sources of borrowed funds are tapped.

As a step towards the unification of the exchange rate, we are completing arrangements with exporters to convert the equivalent of their dollar surrender requirements into export bonds estimated at ₱220 million for two years. These bonds will mature in ten years and will earn 4 per cent per annum.

An initial offer of ₱50 million in PWED bonds, otherwise known as "Socio-Economic Bonds," to the private sector with ten years maturity at 7 per cent per annum is now in the implementation stage.

Our public borrowings are backed by an adequate debt service program to meet both principal and interest when they fall due. Loan repayments and sinking fund contributions in fiscal year 1962 amounted to ₱65.3 million and, together with ₱44.3 million in interest payments, comprised the bulk of the debt service obligation of ₱109.7 million. Estimated debt service expenditures in fiscal year 1963 amounts to ₱83.5 million, and in fiscal year 1964, ₱80.2 million (Annex I). The major portion of the debt servicing obligations is devoted to the contribution to the Backpay Sinking Fund for matured obligations under Republic Act No. 304, and to contributions to the sinking fund for bonds issued under Republic Act No. 1000.

Foreign Resources

We shall continue to rely upon external sources of financing, particularly for projects requiring foreign exchange counterparts. In order not to unduly strain our exchange reserve with the Central Bank, dollar requirements of projects whenever possible will be obtained through borrowing from abroad. There will, nevertheless, be a considerable demand for Central Bank dollars, particularly for amortization of foreign obligations, for the replenishment of capital equipment, and for the operating needs of overseas offices.

Estimated foreign exchange loans available from the Development Loan Fund in fiscal year 1964 amount to ₱75.0 million at the conversion rate of 4:1; from the Export-Import Bank, ₱79.0 million; from the World Bank (I.B.R.D.), ₱185.0 million; from the A.I.D., ₱115.0 million; and from the Bank of America and Chase Manhattan, ₱1.5 million.

THE FIVE-YEAR FISCAL PROGRAM

To anticipate the resources for, and financial requirements of, the Government's part in carrying out the socio-economic program, we are continually updating our Five-Year Fiscal Program. The latter, as it stands today, is given in consolidated form in Table 6. Its infrastructure and developmental services components are shown by category in Table 7.

These figures are more in the nature of broad and flexible estimates rather than firm commitments. They are to be adjusted accordingly as soon as estimated revenues and expenditures can be revised to more definite magnitudes.

TABLE 6.—*Consolidated Five-Year Fiscal Program of the National Government, Fiscal Years 1964–1968*

(In Million Pesos)

	FY 1964	FY 1965	FY 1966	FY 1967	FY 1968
RESOURCES:*					
General Fund	1,750.2	1,813.1	1,976.3	2,154.2	2,348.1
Special Funds	211.8	260.7	268.9	278.1	292.6
Fiduciary Funds	10.0	38.6	38.9	41.2	41.5
Bond Fund	182.0	161.1	133.7	116.8	103.9
Reparations Fund	10.6	12.6	14.6	16.6	18.6
Other Public Borrowings	35.2	27.1	13.2	10.0	10.0
Total Resources	2,199.8	2,313.2	2,445.6	2,616.9	2,814.7
EXPENDITURES:*					
Economic Development	834.7	857.5	892.6	976.5	1,023.6
Social Development	785.0	841.6	898.7	957.6	1,058.0
National Defense	283.4	284.1	287.2	295.5	306.8
General Government	211.7	228.3	251.3	262.0	280.2
Debt Service	80.2	89.5	113.7	116.6	118.7
Total Expenditures	2,195.0	2,301.0	2,443.5	2,608.2	2,787.3

* Excludes the resources and expenditures of government corporations but includes NPC, NAWASA Bonds and Negotiable Land Certificates.
Total FY 1964 resources and expenditures exclude ₱58.4 million inter-fund transfers. Expenditures include those financed from other public borrowings.
Total resources and expenditures for FY 1965–1968 are gross.

TABLE 7.—*Infrastructure and Development Services*
Fiscal Years 1964–1968

(In Thousand Pesos)

	FY 1964	FY 1965	FY 1966	FY 1967	FY 1968
INFRASTRUCTURE:					
Sources of Funds:					
General Fund	68,758	127,122	137,343	133,326	111,174
Special Funds (x)	61,350	60,320	65,625	72,875	67,423
Bond Fund	120,907	98,780	92,413	79,528	77,489
Other Public Borrowings	25,250	17,070	3,190	—	—
Total	276,265	303,292	298,571	285,729	256,086
Claims of Projects:					
Main Roads	57,199	70,989	73,752	78,134	69,849
Feeder Roads	25,449	27,787	28,439	29,357	28,880
Railways	6,000	—	—	—	—
Airport Facilities	6,529	22,694	24,905	26,698	28,122
Portworks	12,826	17,595	23,700	21,200	19,200
Electric Power	22,164	19,572	5,337	—	—
Irrigation	36,256	33,637	39,269	33,312	31,972
River Control and Drainage	30,238	27,826	27,171	25,155	24,268
Shore Protection	600	665	655	665	665
Telecommunications	4,800	3,500	—	—	—
Waterworks	38,625	19,131	15,274	12,739	13,000
Artesian Wells	4,500	28,189	30,189	30,189	8,000
Buildings	31,079	25,407	22,980	20,880	25,430
Miscellaneous Engineering		6,300	6,900	7,400	6,700
Total	276,265	303,292	298,571	285,729	256,086
DEVELOPMENTAL SERVICES:					
Sources of Funds:					
General Fund	665,996	731,700	785,200	841,800	904,600
Special Funds	42,957	45,000	47,000	49,000	51,000
Fiduciary Funds	374	400	400	400	400
Total	709,327	777,100	832,600	891,200	956,000
Claims of Services:					
Agriculture	64,654	73,100	82,100	93,200	110,000
Mining	3,595	3,900	4,400	4,900	6,400
Economic Planning, Research and Statistics	24,883	25,300	25,800	26,300	26,800
Promotion and Regulation of Trade	13,770	14,800	15,800	16,800	17,800
Education	529,657	584,000	625,000	666,000	707,000
Health	51,868	55,000	58,500	63,000	67,000
Mindanao and Other Development Projects	20,900	21,000	21,000	21,000	21,000
Total	709,327	777,100	832,600	891,200	956,000

(x)—Includes Reparations Fund

In the preparation of our fiscal program for fiscal year 1964 and its projection through fiscal year 1968, we have been guided by a number of fundamental principles and policies:

(1) The Government shall continue to maintain a policy of fiscal balance. As a matter of principle and in keeping with the provisions of the Revised Budget Act (Republic Act No. 992), the expenditures for current operations shall not exceed the estimated receipts from taxation, and the utmost efforts will be exerted to improve the efficiency and thereby reduce the cost of ordinary government operations.

Total appropriation authorizations (see Table 3) for fiscal year 1964 are substantially in excess of the estimated receipts from existing revenue sources. We have therefore been constrained to place in the "B" Budget certain programs which, in terms of their relative priority, can be made contingent on the availability of funds additional to those required for the "A" Budget. To the extent that extra funds materialize, some of the appropriations appearing in the "B" Budget (Annex C) may be programmed for release during the fiscal year.

(2) In view of the need at this stage of our development for increased public expenditures on essential and strategic projects, the Government's policy of fiscal balance will be pursued not only through a reduction of operating costs but also through an intensified search for new sources of revenue. This dual effort is necessary to make more resources available for the socio-economic program, over and above the ordinary requirements of the Government.

(3) Revenue from taxation shall be considered the principal source of additional funds to serve the increasing needs of the Government. Tax receipts shall be augmented through (a) the continued intensification of tax collections and improvements in the efficiency of tax administration, and (b) a readjustment of our tax structure to make it more equitable; that is, to lay the burden of taxation on those who have the capacity to pay. Taxation, if the system is well designed, has the advantage of tapping funds that would otherwise have been used for consumption.

(4) Domestic bond financing will be increased to an optimum level to help support the socio-economic program. As mentioned above, ₱50 million worth of 7 per cent ten-year bonds are being sold to the public. This interest rate is necessary to make the issue attractive enough to private savers as a method of holding financial assets. Such a means of financing, however, will be desirable only in so far as the bonds do not attract funds that would have otherwise been used for private pro-

ductive investment. Foreign loan financing will be used only to the extent that foreign exchange requirements of the socio-economic program cannot be met by current external earnings, and to the extent that no undue foreign debt-servicing burdens are imposed on the country. In all cases, the public debt shall be wisely managed and faithfully serviced.

(5) Tariffs shall be imposed relatively more as a means to protect infant domestic industries and relatively less as a source of revenue. They shall be used primarily to strengthen the competitive position of domestic enterprises rather than to help inefficient producers.

(6) The fiscal position of local governments shall be strengthened. The Administration shall strive to help them attain a greater degree of self-determination.

(7) Public expenditures shall adequately provide for the expansion of economic overhead, for inter-relating government projects in geographical regions, and for maximum peso support of public programs assisted by foreign loans and grants. In broad terms, our fiscal policy shall emphasize maximum financial support to overhead expenditures for social and economic development. Funds to be allocated to general government and other less urgent projects shall be held to the absolute minimum.

MAIN SUPPORTING PROGRAMS

The following are some of the more important developmental activities reflected in the National Budget for fiscal year 1964:

Agricultural and Rural Development

The Philippines is basically an agricultural economy. In terms of the number of people engaged in agricultural pursuits, the relative contribution of agriculture to national income, the foreign exchange earnings from exports of agricultural commodities, and the raw-materials support to the manufacturing industries, agriculture stands out as a strategic sector in our development program. We have included in the National Budget for fiscal year 1964 various activities designed to expand agricultural production to meet the requirements for domestic consumption and export, enhance the conservation and development of natural resources, and strengthen the institutional foundation of Philippine rural economy.

Increasing Food Production.—I am directing all agencies and instrumentalities concerned, particularly the bureaus and offices under the Department of Agriculture and Natural Resources, the U. P. College of Agriculture, and the Presidential Assistant on Community Development, to coordinate and intensify their efforts in solving a common problem—that of increasing the production of basic foodstuffs, principally rice and corn, fruits and vegetables, livestock and poultry products, fish and other sea-foods, to levels that would meet domestic consumption requirements.

We shall continue to recognize the high priority of rice and corn and to emphasize production and distribution of selected seeds of superior varieties, basic and applied research to develop superior methods of production, and effective control of pest and diseases. We have so far allotted P.6 million to this program. The same amount will be allotted in fiscal year 1964.

As an incentive to increased food production, we shall continue with the policy of setting floor prices for rice so that our farm producers may be assured of more favorable prices in the market.

More fertilizers at subsidized prices shall be made available to a larger number of farmers. To expedite the procurement and distribution of fertilizers to actual end-users, we are making arrangements with fertilizer suppliers to maintain regional stockpiles of their products and to handle the distribution in collaboration with the Bureau of Agricultural Extension. For fiscal year 1964, we are providing ₱8.4 million for the subsidized fertilizer program under the Rice and Corn Production Program.

The importance of irrigation and drainage to agricultural development cannot be overemphasized. For fiscal year 1964, our target is to increase the area of irrigated rice lands from about 800,000 hectares to 1,000,000 hectares. Each year thereafter an additional 10,000 hectares will be irrigated. For irrigation projects, we are allocating ₱36.2 million in fiscal year 1964. We shall also take care of the drainage of waterlogged areas so that these may be put to effective cultivation. For this purpose, we are providing ₱30.2 million in fiscal year 1964.

The production of meat, poultry, eggs, dairy products, and fish will also be increased. The Bureau of Animal Industry will expand its livestock promotion and breeding and disease control programs for which we are providing ₱8.2 million in fiscal year 1964. We have concluded negotiations with United Nations Special Fund for technical assistance to our Dairy Research and Training Institute which was established late last year at Los Baños to promote the development of the dairy industry.